EXECUTIVE SUMMARY

THE LANDSCAPE FOR IMPACT INVESTING IN SOUTHEAST ASIA



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GIIN Advisory Team

Abhilash Mudaliar, *Research Director*

Rachel Bass, *Research Senior Associate*

Hannah Dithrich, *Research Associate*

Jennifer Lawrence, *Communications Associate*

Intellecap Advisory Services

Mukund Prasad, *Associate Partner*

Stefanie Bauer, *Associate Partner*

Amar Gokhale, *Manager*

Shreejit Borthakur, *Senior Associate*

Harish Reddy, *Senior Associate*

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COMMON ACRONYMS

DFI	Development Finance Institution
FDI	Foreign Direct Investment
Fintech	Financial Technology
GDP	Gross Domestic Product
GDP (PPP)	Gross Domestic Product at Purchasing Power Parity
GLI	Gender Lens Investing
HNWI	High-Net-Worth Individuals
ICT	Information and Communications Technology
IFC	International Finance Corporation
LGBT	Lesbian, Gay, Bisexual, and Transgender
OPIC	Overseas Private Investment Corporation
PII	Private Impact Investor
SDG	Sustainable Development Goals
SME	Small and Medium-Sized Enterprise
UN	United Nations
USD	United States Dollar
WASH	Water, Sanitation, and Hygiene

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DEVELOPMENT FINANCE INSTITUTIONS (DFIs)

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Introduction and motivation for the study

Impact investing is a growing practice defined by its intent to generate positive social and environmental impact alongside a financial return. Impact investments are made across the globe, and developing economies provide ample opportunities for market-based solutions and investment capital to address social and environmental challenges. Southeast Asia is developing rapidly, but the region also faces social and environmental challenges that offer substantial potential for impact investments. Indeed, almost a third of impact investors invest in Southeast Asia, and 44% plan to grow their impact investing allocations to the region in the year ahead.[1] *The Landscape for Impact Investing in Southeast Asia* report provides much-needed information about the impact investing market in Southeast Asia to inform investors already allocating capital or considering investing in the region.

This report provides detailed information about the investing activity and trends in 11 countries: Brunei, Cambodia, East Timor, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam. It outlines challenges and opportunities for impact investors and analyzes political and economic factors that may inform investment decisions in each country.

Report structure

The report comprises five chapters: an executive summary, three chapters examining Indonesia, the Philippines, and Vietnam in detail, and an overview of the region's remaining countries.

The following is provided for each country:

- an overview of the country's **social and economic context**;
- the **activities of impact investors**, including the volume of investment activity;
- the **characteristics** of organizations and enterprises receiving impact investing capital;
- information on the **supporting ecosystem**, including the roles played by accelerators, incubators, networks, and policymakers;
- **gender lens investing** awareness and activity; and
- a discussion of key **challenges and opportunities** for growing the market.

Report scope

This report presents impact investing activity in Southeast Asia between 2007 and 2017. Building on existing research, the report uses deal-level data to provide first-of-its-kind quantitative analysis of the

1 Abhilash Mudaliar, Rachel Bass, and Hannah Dithrich, *2018 Annual Impact Investor Survey* (New York: Global Impact Investing Network, June 2018), https://thegiin.org/research/publication/annualsurvey2018.

impact investing landscape in Southeast Asia. Findings are based on primary research conducted with over 100 stakeholders, a thorough review of existing research, and aggregate analysis of 514 impact deals between 2007 and 2017.[2] Only direct capital deployments made into enterprises or projects were included; indirect deployments were excluded to avoid double counting. Investors' capital commitments and liquid assets were also excluded.

Definitions

This report includes only impact investments that explicitly meet the following definitions.

IMPACT INVESTMENTS

Impact investments are defined as "investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return."[3] Impact investors must meet three definitional criteria:

1. The investor should have the intention to create positive social or environmental impact through their investments.
2. The investor should expect some financial return.
3. The investor should have a commitment to measure the social or environmental impact created through their investments.

The analysis in this report is separated into two broad investor categories: Private Impact Investors (PIIs) and Development Finance Institutions (DFIs).

PRIVATE IMPACT INVESTORS (PIIs)

Private Impact Investors (PIIs) encompass a range of investor types, including fund managers, family offices, foundations, banks, pension funds, and others that channel private capital into impact investments.

DEVELOPMENT FINANCE INSTITUTIONS (DFIs)

Development Finance Institutions (DFIs) are government-backed financial institutions that provide finance to the private sector for investments promoting development. DFIs are important actors in the impact investing landscape, providing large amounts of capital both through direct impact investments and through indirect investments, such as impact investment funds. Because of their large size and unique characteristics, this report analyzes DFI activity separately from the activity of other types of impact investors. Indirect investments by DFIs are excluded to avoid double counting. For the purposes of this report, bilateral or multilateral assistance provided directly to governments is not considered an impact investment.

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2 The Research Team's efforts focused on creating an exhaustive database of direct impact deals made in the region from 2007 to 2017.

3 The Global Impact Investing Network, http://www.thegiin.org/.

GENDER LENS INVESTING

Gender lens investments are "investments made into companies, organizations, and funds with the explicit intent to create a positive impact on gender."

GENDER LENS INVESTING COMPRISES TWO BROAD CATEGORIES

Investing with the intent to address gender issues or promote gender equity, including by:

- investing in women-owned or -led enterprises;
- investing in enterprises that promote workplace equity (in staffing, management, boardroom representation, and along their supply chains); or
- investing in enterprises that offer products or services that substantially improve the lives of women and girls.

And/or investing using:

- a *process* that focuses on gender, from pre-investment activities (e.g., sourcing and due diligence) to post-deal monitoring (e.g., strategic advisory and exiting); or
- a *strategy* that examines and manages an investee in line with the investor's mandate and intentions with respect to:
  1. their vision or mission to address gender issues;
  2. their organizational structure, culture, internal policies, and workplace environment;
  3. their use of data and metrics for the gender-equitable management of performance and to incentivize behavioral change and accountability; and
  4. how their financial and human resources signify overall commitment to gender equality.

The Research Team used this definition to identify gender lens investors, inform conversations with them, and disaggregate investments across various strategies to gain further insight. Only investments that fulfill these criteria were included in the analysis of GLI.

Methodology

DATA COLLECTION

The Research Team relied on quantitative and qualitative data from both secondary and primary sources to map the landscape of impact investing in the region. Data collection included three principal methods. First, **desk research** was conducted to:

- evaluate existing research on impact investing in Southeast Asia and on gender lens investing strategies deployed in the region;
- gather data on various aspects of the region's socio-economic environment, political landscape, and impact investing ecosystem; and

- compile a comprehensive database of 514 direct impact investing deals made into Southeast Asia's 11 countries between 2007 and 2017. This database includes all known direct impact investment deals as of the time of data collection in late 2017.

Sources of desk research included indicators that describe supply-side contexts by country, including economic growth trends, inflows and drivers of foreign direct investment (FDI), currency rate fluctuations, and inflation. To collect data for the impact investment deal database, the Research Team examined publicly available information, evaluated investor websites, and reviewed press releases. In addition, the Research Team collected anonymized deal information from a number of investors. For demand-side context, indicators included the prevalence of entrepreneurs, gaps in access to capital, and indicators of 'need' (e.g., literacy rate, poverty rate, and mortality rate). Existing work was cross-referenced with primary research to corroborate findings, identify opportunities to ask deeper questions during interviews, or both. Throughout the report, the Research Team incorporated highlights from their desk research to complement primary findings. Finally, the Research Team referred to country-level summaries of regulations and policies that facilitate or restrict impact investment.

Second, the Research Team conducted **primary interviews** with over 100 respondents, including local and international impact investors, social enterprises, players in the ecosystem, government officials, and others. Interviews took place both by phone and in person during country visits to Indonesia, Vietnam, the Philippines, and Singapore. The sample was carefully crafted to represent the market across various factors including organization type, year of founding, and country of focus. Appendix 1 presents a full list of interviewees.

Finally, the Research Team held two virtual **focus group discussions** to corroborate and refine findings. One convened 16 stakeholders representing supply side of capital and the other included seven demand-side stakeholders.

ANALYSIS

The Research Team used several analytic methods for this report.

Desk research: The various resources assembled during desk research were synthesized at the country and regional levels to identify drivers of investment activity, uncover gaps between the supply and demand sides of the market, and bolster primary research.

Deals database: The Research Team analyzed transaction-level data at both the country and regional levels, further segmented by investment characteristics when sample sizes were large enough to offer meaningful insights without compromising participants' anonymity. Analysis of the database was also segmented between PIIs and DFIs, given the significant differences in their structures, mandates, and investment approaches. Analysis included:

- mean, median, and total investment activity;
- presence and influence of any outliers that could disproportionately skew findings; and
- capital deployed and number of deals by PIIs and DFIs, segmented by various factors.

Interviews: The Research Team kept detailed notes for each interview and focus group discussion and evaluated the various points of contention or divergence. Some specific themes discussed in the interviews included:

- perceptions of opportunities for impact investors and other actors in the regional impact investing ecosystem;

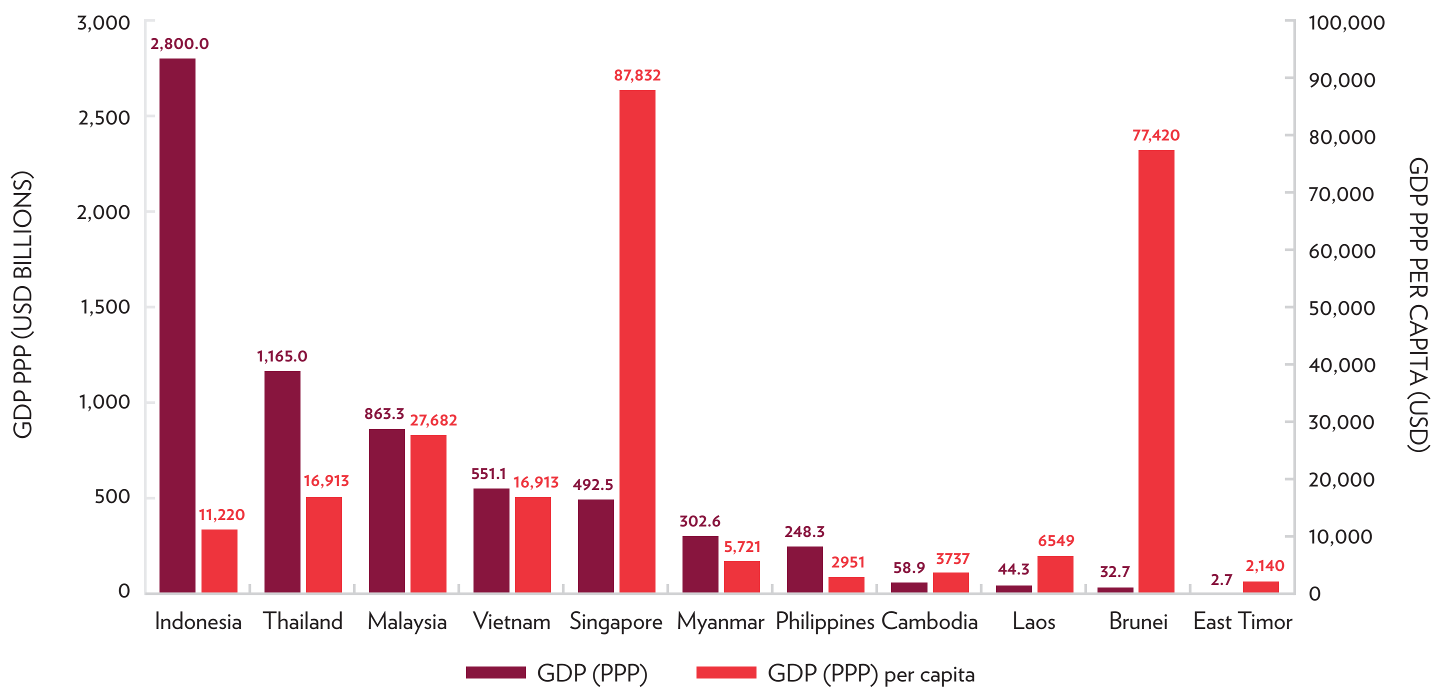
- perceptions of key challenges facing impact investors in the region;
- perspectives on drivers of growth;
- awareness and use of various GLI strategies; and
- perspectives on the effectiveness of different types of players in the ecosystem, such as accelerators, consultants, and policymakers.

BACKGROUND ON THE SOUTHEAST ASIAN REGION

Southeast Asia is extremely diverse, with each of the 11 countries in the region at various stages of economic development and facing wide-ranging socio-economic challenges. The region is generally divided into "mainland" and "island" zones. Mainland countries—Myanmar, Thailand, Laos, Cambodia, and Vietnam—are an extension of the Asian continent, while island countries include Malaysia, Singapore, Indonesia, the Philippines, Brunei, and East Timor.

Southeast Asia covers a landmass of nearly 4.5 million km^2, or 3% of the earth's total land area. Its total population, more than 650 million in 2018, is about 8.6% of the world's population.[4] Collectively, the region has a GDP (PPP) of USD 7.6 trillion (Figure 1), which accounts for nearly 6% of Gross World Product at PPP (2016) and is growing at roughly 5% per annum.[5]

FIGURE 1: GDP (PPP) AND GDP (PPP) PER CAPITA



Source: Intellecap Advisory Services analysis

4 Population, total, DataBank (Washington, DC: The World Bank), https://data.worldbank.org/indicator/SP.POP.TOTL.

5 "Economic indicators of Asia and Pacific countries," Asian Development Bank, 2017, https://www.adb.org/data/statistics.

The region's economies are at various stages of development, with some led by agriculture and others based on industry and services. Agricultural production, both for domestic consumption and for export, underlaid economic growth in most parts of Southeast Asia in the second half of the nineteenth and the first half of the twentieth centuries. Local producers exported large quantities of traditional agricultural staples, including sugar, rice, coffee, tea, spices, hard fibers, and coconut oil. The cultivation of new crops, such as rubber and palm oil, also expanded rapidly during this period. In the latter half of the twentieth century, several of the region's economies began to transition away from agriculture. In the Philippines, Thailand, and Malaysia, for instance, non-agricultural sectors of the economy grew quickly after 1950, accounting for more than 60% of total GDP by 1970.[6] During the 1980s, Thailand, Malaysia, Singapore, and Indonesia registered annual growth rates of 6% to 9% in GDP (PPP). Manufacturing output first exceeded agricultural output in Thailand in 1981, Malaysia in 1984, and Indonesia in 1991.[7]

Despite strong economic growth, Southeast Asia has experienced periods of economic crisis. In 1997, Thailand unpegged the baht from the U.S. dollar, setting off a series of currency devaluations and massive outflows of capital from the region. The economies most affected saw a collective drop in capital inflows that exceeded USD 100 billion in the first year of the crisis.[8] This crisis however, led to improvements in the region's economic systems and initiated much-needed restructuring, such as the dissolution of non-viable financial institutions, improved banking supervision, and increased encouragement of private-sector investment, including from foreign institutions.

Over the past decade, entrepreneurship has gained momentum across most of Southeast Asia, in part due to increased government support for private-sector growth, integration with the global economy, a rising consumer base, and a young population. High FDI inflows, urbanization, and technological advances have reshaped the region. Government investments—to develop infrastructure, improve educational facilities, advance technology, and further social acceptance of entrepreneurship—have helped develop new industries, with an increasing number of new enterprises entering sectors such as e-commerce, financial technology, hospitality and agroprocessing. Southeast Asia's young population is also driving growth. According to the UN, by 2030, the median age in most Southeast Asian countries will be 30 years, considerably lower than in surrounding countries, such as Japan (>50 years).[9] Many global companies are moving their manufacturing operations to Southeast Asia, taking advantage of the younger workforce.

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6 World Development Indicators, DataBank (Washington, DC: The World Bank), https://data.worldbank.org/indicator/.

7 Deborah Bräutigam, "Local Entrepreneurship in Southeast Asia and Sub-Saharan Africa: Networks and Linkages to the Global Economy" (paper presented at the United Nations University/African Economic Research Consortium Conference on Asia and Africa in the Global Economy, Tokyo, Japan, August 3–4, 1998), http://archive.unu.edu/hq/academic/Pg_area4/Brautigam.html.

8 Walden Bello, *The Asian financial crisis: Causes, dynamics, prospects*, (Journal of the Asia Pacific Economy, 1999), 35, https://www.tandfonline.com/doi/pdf/10.1080/13547869908724669.

9 Population Division, World Population Prospects 2017, United Nations (UN), https://esa.un.org/unpd/wpp/dataquery/.

TABLE 1: ECONOMIC DEVELOPMENT INDICATORS

COUNTRY	GDP (PPP; 2016) USD BILLIONS	FDI NET INFLOWS (2016) USD MILLIONS	EASE OF DOING BUSINESS RANKING, 2018 (OUT OF 190)	GLOBAL COMPETITIVENESS INDEX 2017–2018 RANK (OUT OF 137)	AVERAGE INFLATION RATE (2007–2017) %
BRUNEI	32.7	-151	56	46	0.5
CAMBODIA	58.9	2,287	135	94	5.5
EAST TIMOR	2.7	6	178	–	6.3
INDONESIA	3,031.0	29,000	91	36	5.8
LAO PDR	44.3	997	141	98	4.3
MALAYSIA	863.3	13,515	24	23	2.4
MYANMAR	302.6	3,278	171	131	10.5
PHILIPPINES	806.3	7,900	113	56	3.7
SINGAPORE	492.5	61,596	2	3	2.4
THAILAND	1,165.0	3,063	26	32	2.0
VIETNAM	595.4	12,600	68	55	9.0

Top 2   Bottom 2   – Data not available

Source: Compiled by Intellecap Advisory Services

TABLE 2: SOCIAL DEVELOPMENT INDICATORS

COUNTRY	POPULATION (THOUSANDS)	GDP (PPP) PER CAPITA (2016)	GINI COEFFICIENT	HUMAN DEVELOPMENT INDEX RANK (2016)	SDG INDEX RANK (2017)	GLOBAL GENDER GAP RANK
BRUNEI	423	77,420	–	30	–	102
CAMBODIA	15,762	3,737	37.9	143	114	99
EAST TIMOR	1,269	2,140	31.9	133	106	128
INDONESIA	261,116	11,220	39.0	113	100	84
LAOS	6,758	6,549	36.7	138	107	64
MALAYSIA	31,187	27,682	46.2	59	54	104
MYANMAR	52,885	5,721	–	145	110	83
PHILIPPINES	103,320	2,951	40.1	116	93	10
SINGAPORE	5,607	87,832	45.8	5	61	27
THAILAND	68,864	16,913	44.5	87	55	75
VIETNAM	94,569	5,838	37.6	115	68	69

Top 2 Bottom 2 – Data not available

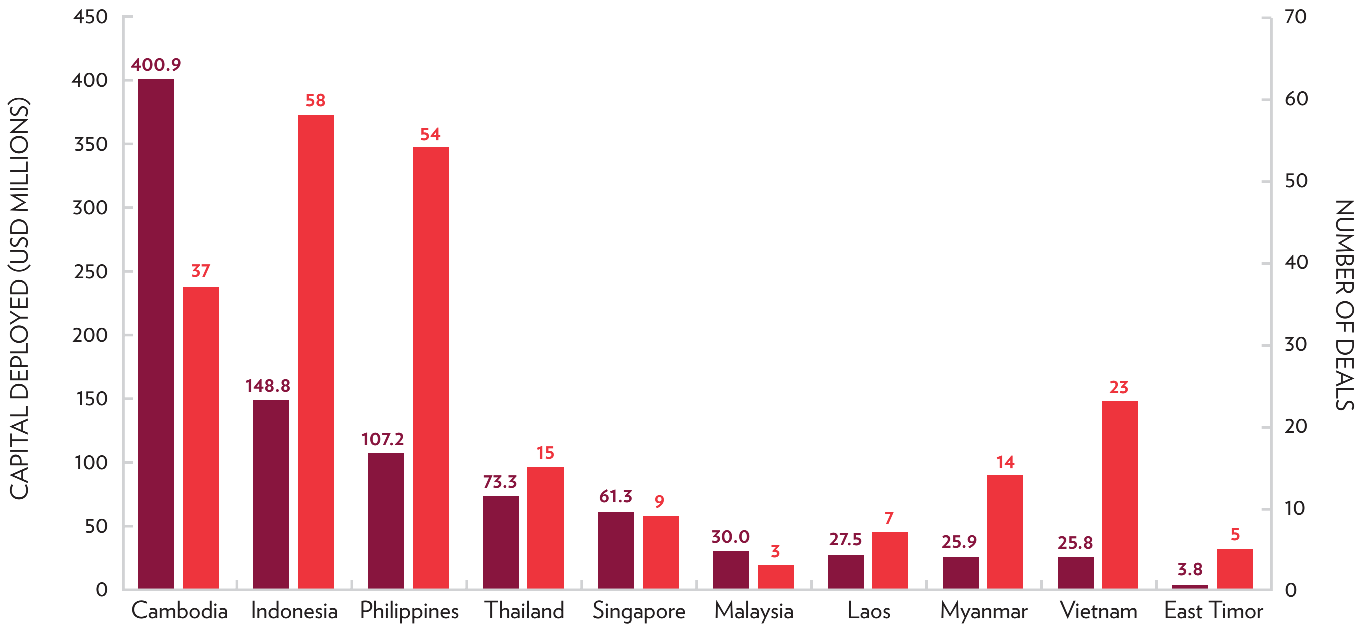
Source: Compiled by Intellecap Advisory Services

IMPACT INVESTING IN SOUTHEAST ASIA

Southeast Asia's impact investing ecosystem has developed significantly over the last decade. Since 2007, PIIs have deployed around USD 904 million through 225 direct deals,[10] and DFIs have deployed around USD 11.3 billion through 289 direct deals.[11] The amount of impact capital invested varies widely by country (Figures 2 and 3).

FIGURE 2: PII ACTIVITY BY COUNTRY

USD 904 MILLION IN 225 DEALS (2007–2017)



	Cambodia	Indonesia	Philippines	Thailand	Singapore	Malaysia	Laos	Myanmar	Vietnam	East Timor
Average deal size (USD millions)	10.8	2.6	1.9	4.9	6.8	10.0	3.9	1.9	1.1	0.8

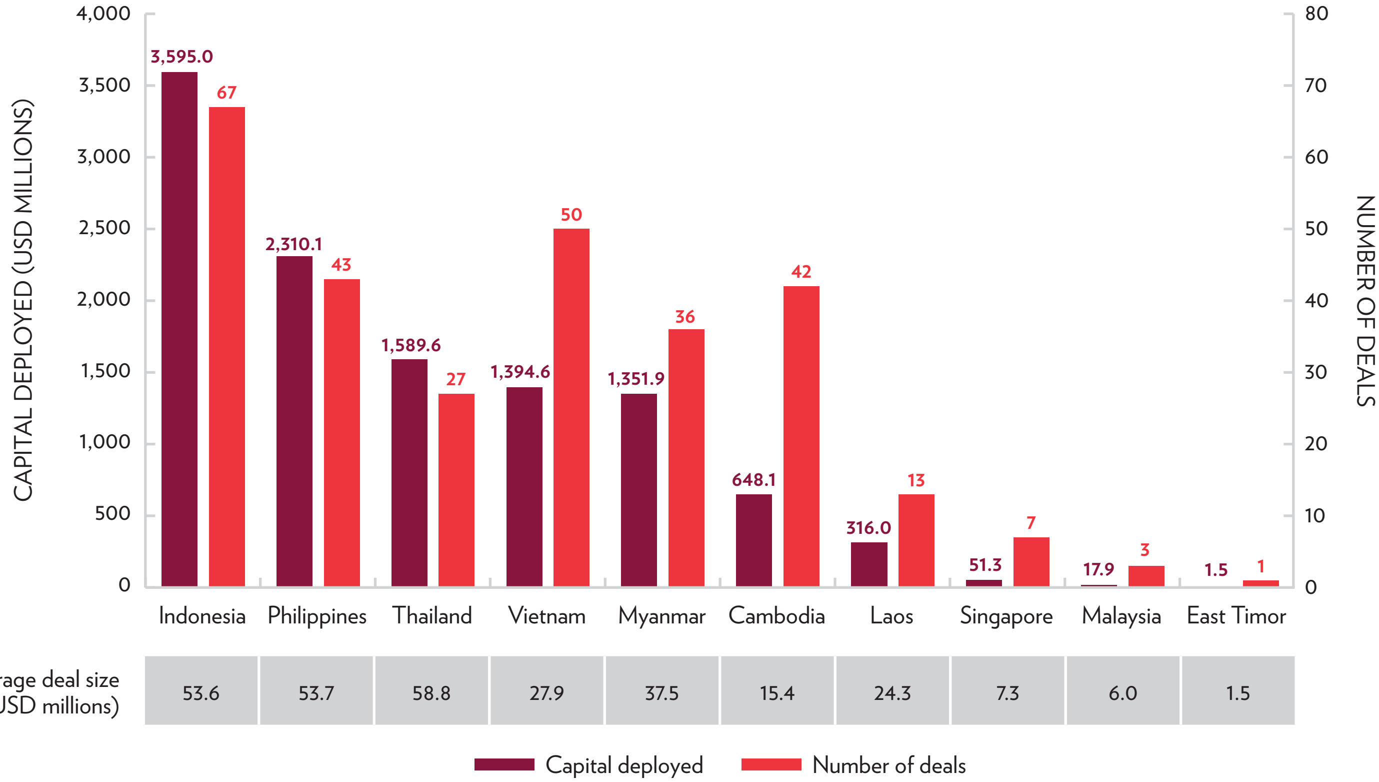
Source: Intellecap Advisory Services analysis

10 PIIs include investors, normally not government funded, that make investments into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return.

11 Analysis of DFI investments compared to the size of the invested economies indicates that the amounts of DFI investments in Southeast Asian countries are typically less than 0.01% of countries' GDPs.

FIGURE 3: DFI ACTIVITY BY COUNTRY

USD 11.3 BILLION IN 289 DEALS (2007–2017)



	Indonesia	Philippines	Thailand	Vietnam	Myanmar	Cambodia	Laos	Singapore	Malaysia	East Timor
Average deal size (USD millions)	53.6	53.7	58.8	27.9	37.5	15.4	24.3	7.3	6.0	1.5

Source: Intellecap Advisory Services analysis

Despite overall regional growth, Southeast Asia's impact investing market remains highly fragmented. Countries in the region are at vastly different stages of economic development and have entrepreneurial ecosystems with varying maturity levels facing context-specific challenges. Political structures in the region vary widely—including democracies, military dictatorships, and communist governments—leading investors to develop country-specific impact investing strategies. Indonesia, the Philippines, and Vietnam each have comparatively mature impact investing ecosystems that have garnered increasing interest from PIIs.[12] PIIs have also taken advantage of opportunities in Cambodia's relatively open, dollarized economy to catalyze the country's microfinance sector. As a result, Cambodia has attracted nearly as much PII capital as Indonesia, the Philippines, and Vietnam combined. Laos, Myanmar, Thailand, Malaysia, and East Timor have all had comparatively less PII activity, and Singapore and Brunei are high-income countries with small populations that have sustained little PII activity to date. However, many regional enterprises that have received impact investment are headquartered in Singapore, as are many PIIs that operate across the region.

Availability and deployment of impact capital

DFIs have deployed most of the impact capital in Southeast Asia to date, while PIIs have increased their activity and interest since 2013. DFIs invest in enterprises and projects that improve socio-economic outcomes and catalyze the flow of commercial capital to sectors that otherwise would not receive investment. The International Finance Corporation (IFC) is the largest DFI investing in the

12 Separate chapters offer deeper insight into impact investing activity in each of these three countries.

region, contributing to almost 70% of all deals and more than 65% of all capital deployed by DFIs in the region. Together, DFIs account for over 90% of all impact capital invested in Southeast Asia.

PII activity began slowly in the early 2000s and plateaued during the 2008 global financial crisis. Since 2013, investment activity has increased. This has been driven, in part, by the region's increased focus on entrepreneurship and the presence of a young, well-networked generation that seeks to leverage technology to create positive socio-economic or environmental impact. Southeast Asia also faces multiple socio-economic and environmental challenges, including large, underserved populations, high poverty, and generally poor indicators of human development. While some investors have opened local offices in the region, most operate remotely or through local partners. Challenges remain, such as limited focus on innovation and low financial literacy among entrepreneurs, a limited investee pipeline, concentration of seed-stage enterprises, and only a few records of exits. However, investors are generally positive and optimistic given the inherently large market opportunity and growing middle class they expect to spur further economic growth.

While some early-stage PIIs are active in the region, major gaps in seed-stage impact capital remain. Deals below USD 500,000 in most countries are rare, with most impact investors investing in deals larger than USD 1 million. Since most investors have no local presence, the investment process is expensive, which leads investors to defray these sourcing costs by making larger, later-stage investments. Further compounding the lack of seed-stage capital, active impact-focused angel investor networks are scarce, except in Indonesia. While other angel networks exist at the regional level, all of them are impact agnostic. Without such networks, most enterprises raise seed-stage capital (ranging from USD 100,000 to USD 500,000) by accessing their own resources, turning to family and friends, relying on accelerators and incubators, or seeking grants from foundations, family offices, and other donor organizations.

Investors have primarily deployed capital to sectors that promote financial inclusion, expand access to basic services, and create livelihoods: financial services, energy, and manufacturing. Together, these three sectors account for 82% of total capital deployed in the region and 63% of total deals. DFIs have traditionally invested in sectors that create large-scale employment opportunities and support countries' national development priorities. DFIs also invest in PIIs—typically impact fund managers—to drive impact in more targeted areas such as poverty alleviation, job creation, or women's empowerment.[13] By investing through PIIs, DFIs can target smaller enterprises than they otherwise could; this report excludes such indirect investment, however, to avoid double counting. DFI-driven mandates to invest in specific sectors or towards certain impact themes have helped build the impact investing ecosystem in Southeast Asia and channel impact capital to growing sectors like education, healthcare, and ICT.

Having a local presence enables investors to connect with local networks and helps them invest more effectively in the region. Given the lack of investable enterprises and potential investees' need for sustained support, impact investors benefit significantly from having a local presence in their country of intended investment. While partnerships with in-country ecosystem enablers (such as accelerators, incubators, or financial advisors) can help investors source deals to some extent, investors with local offices are much more successful at sourcing and managing investments than are those operating remotely. For instance, in Indonesia, Philippines, and Vietnam, the average yearly number of deals made by investors with a local presence is almost twice that of investors without a local presence. Fund managers also require capacity-building support to better adapt to the contexts of their

13 To avoid duplicating figures, this report considers only direct DFI deals, not any DFI investment in PIIs (e.g., in impact investing funds).

operating countries and more effectively assess deal pipelines. To address this, many investors based outside the region have begun to employ local talent or form partnerships with local funds, especially in Indonesia, Vietnam, and Myanmar.

Some investors apply a gender lens to their investments, but broader awareness of the concept remains limited. Five active PIIs investing in the region have explicit gender lens investing (GLI) mandates. These impact investors have made more than 30 deals in Indonesia, the Philippines, and Vietnam using a gender lens, amounting to USD 40 million of capital deployed since 2007.[14] Most other investors that consider gender impact do so only after investment, rather than using gender impact to inform investment decisions. Further, investors understand GLI to mean investing in women-owned or women-led enterprises. Other GLI strategies are not as well understood, such as investing in enterprises that provide goods or services directed primarily at improving the lives of women, girls, and the LGBT community, or investing in enterprises that promote workplace gender-equity. Gender lens investors that are active in the region should share their success stories to highlight their positive impact on gender equity and offer insight for other investors that may wish to apply a gender lens. The efforts of entities like Investing in Women, an initiative of the Australian government, continue to help bring GLI into the mainstream investment discourse.

Investors have reported few exits from equity investments, which may reflect limited transparency around exits, insufficient exit options, and the nascent market's limited track record. Most PIIs that make equity investments seek market-rate returns, expecting to exit by selling to larger, either impact or impact-agnostic investors. As awareness of the concept of responsible investing grows, many formerly impact-agnostic investors are seeding impact-focused funds or are beginning to consider social and environmental impact as part of their investment philosophies. Increased activity by such investors, who are potential buyers on the secondary market, is driving optimism regarding exits and somewhat galvanizing the impact investing market. However, disclosed records of exits in recent years are limited only to a few countries like Singapore, Thailand, and Indonesia. Growth-stage investors expect to exit through public markets. Meanwhile, the performance of DFIs' debt portfolios may offer insights into the commercial potential of debt impact investments. Communication about the performance of DFI debt investments could increase awareness, reduce perceived risk, and attract more impact investing capital to the region. Further, as the industry evolves, more exits are likely to occur.

14 This report provides analysis of GLI only for these three countries.

The broader ecosystem

Over the past few years, new intermediaries have begun to provide enterprises with much-needed mentorship and support. However, only a few have an impact focus, and demand for such support far outweighs its availability. Many investors do not have local presences in every country in which they invest, thus depending heavily on intermediaries to source deals and get enterprises 'investment-ready.' Additionally, incubators and accelerators often bring together impact investors and enterprises unfamiliar with the concept of impact investing. Although many of these intermediaries are impact-agnostic, they can be effective partners for investors to source potential investees and promote innovation. Business-service providers can also help investors source investees seeking larger ticket sizes.

Social enterprises have an especially critical need for early-stage support, given that the ecosystem for social entrepreneurship is fairly nascent and mostly clustered in major cities—such as metropolitan Manila in the Philippines, Ho Chi Minh City and Hanoi in Vietnam, and Jakarta in Indonesia. This geographic concentration can keep impact-focused enterprises in rural areas from accessing critical support services.

Few policy provisions encourage impact investments in the region. Most policies related to impact investing indirectly stimulate the field through demand, for example by making it easier to register small and medium-sized enterprises (SMEs) and access government support or finance. Some countries have attempted to establish regulatory frameworks under which social entrepreneurs can register and receive benefits such as tax incentives or government-led buy-back agreements.[15] However, some policies that seek to encourage 'social entrepreneurship' can be counterproductive; for instance, the requirement in Vietnam that social enterprises reinvest profits has discouraged many businesses from registering as social enterprises. Further, enterprises may be wary of being labeled as social enterprises due to concerns that the market may perceive them as less-serious businesses.

Investors use a variety of often-customized impact measurement tools and reporting mechanisms. Vastly different country contexts and impact theses lead impact investors to take relatively bespoke and fragmented approaches to impact measurement. Most investors use their own impact measurement frameworks, which may be based on globally accepted taxonomies, such as IRIS.[16] Greater collaboration of impact measurement approaches could help increase transparency and better standardize expectations of impact performance.

15 Such policies have been passed in Thailand, Malaysia, and Vietnam, and the Philippines is considering the introduction of such a bill.

16 IRIS is the catalog of generally accepted performance metrics, managed by the GIIN. http://www.iris.thegiin.org/.

THE SUPPLY OF IMPACT CAPITAL IN SOUTHEAST ASIA

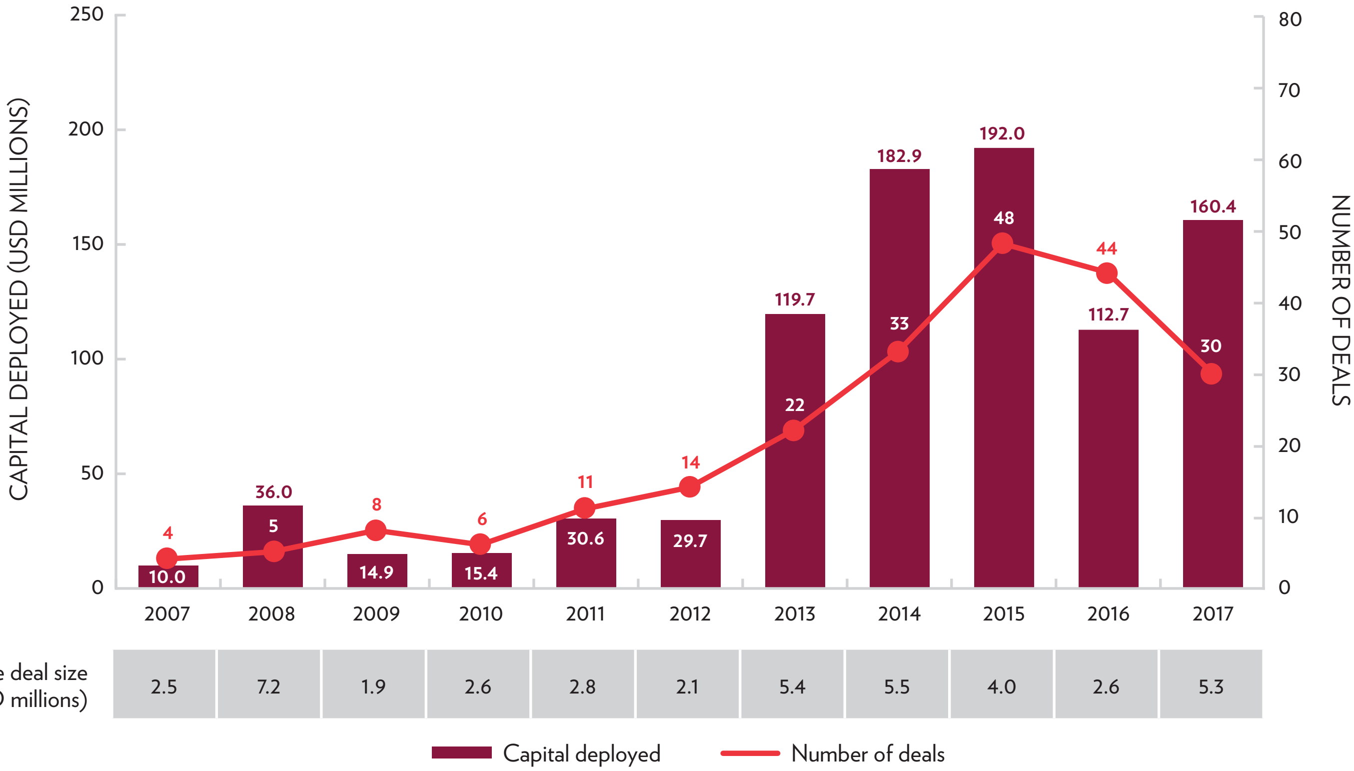
Between 2007 and 2017, at least 60 different PIIs have invested USD 904 million in 225 deals and almost a dozen DFIs have invested USD 11.3 billion in 289 deals in Southeast Asia. Indonesia and the Philippines have seen the most impact investment activity, and Vietnam, Myanmar, and Cambodia are seeing increasing investor interest.

Private impact investors

At least 60 different private impact investors have invested roughly USD 904 million into over 225 deals in Southeast Asia since 2007.[17] Cambodia received roughly 45% of all PII capital deployed (principally in microfinance), while Indonesia and the Philippines together account for another 30% of PII capital. Most deals have been individual transactions rather than co-investments.

FIGURE 4: IMPACT CAPITAL DEPLOYED BY PIIs, BY YEAR

USD 904 MILLION IN 225 DEALS (2007–2017)



Average deal size (USD millions)	2.5	7.2	1.9	2.6	2.8	2.1	5.4	5.5	4.0	2.6	5.3

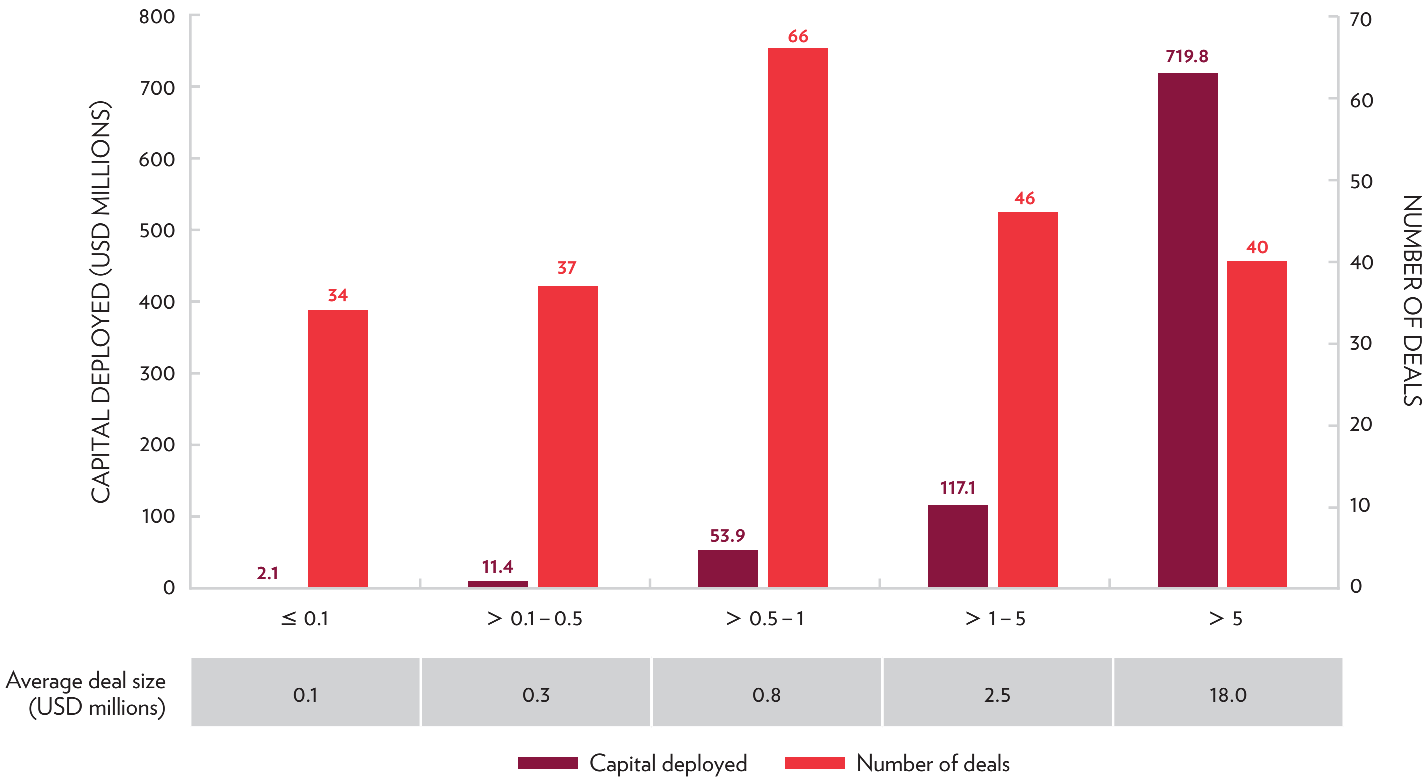
Source: Intellecap Advisory Services analysis

17 Some of these PIIs may no longer be active in the region.

Investment activity has increased over time, with more than 75% of deals and 80% of capital deployed since 2013. Multiple factors contributed to this surge in activity: the economic recovery after the global financial crisis, an increased local presence of investors in Southeast Asia, and several large investments in microfinance institutions in Cambodia. Impact investments in Myanmar also increased after 2013, as the country transitioned to a democracy and opened to more private-sector investment.

FIGURE 5: IMPACT CAPITAL DEPLOYED BY PIIs, BY DEAL SIZE

USD 904 MILLION IN 225 DEALS (2007–2017)

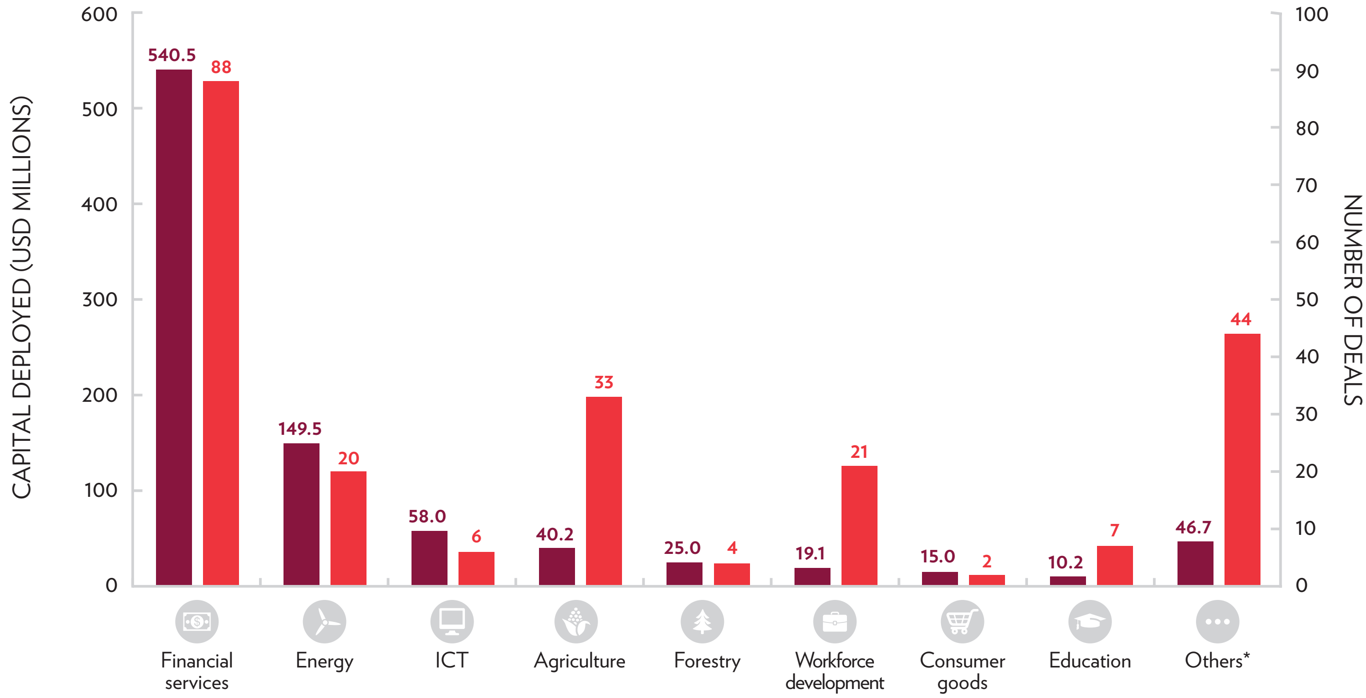


Source: Intellecap Advisory Services analysis

Stakeholders expect investment activity to continue to increase. A growing group of experienced PIIs are active in the region across diversifying sectors, evolving local ecosystems and increasing support for social enterprises. Demand for impact capital comes primarily from a growing number of startups and SMEs raising capital for the first time. A comparatively smaller pipeline of growth- and mature-stage enterprises can absorb larger Series B and C rounds of capital. The average ticket size of PII investors is around USD 3.9 million while the median is around USD 0.7 million.

FIGURE 6: IMPACT CAPITAL DEPLOYED BY PIIs, BY SECTOR

USD 904 MILLION IN 225 DEALS (2007–2017)



	Financial services	Energy	ICT	Agriculture	Forestry	Workforce development	Consumer goods	Education	Others*
Average deal size (USD millions)	6.1	7.5	9.7	1.2	6.3	0.9	7.5	23.9	1.1

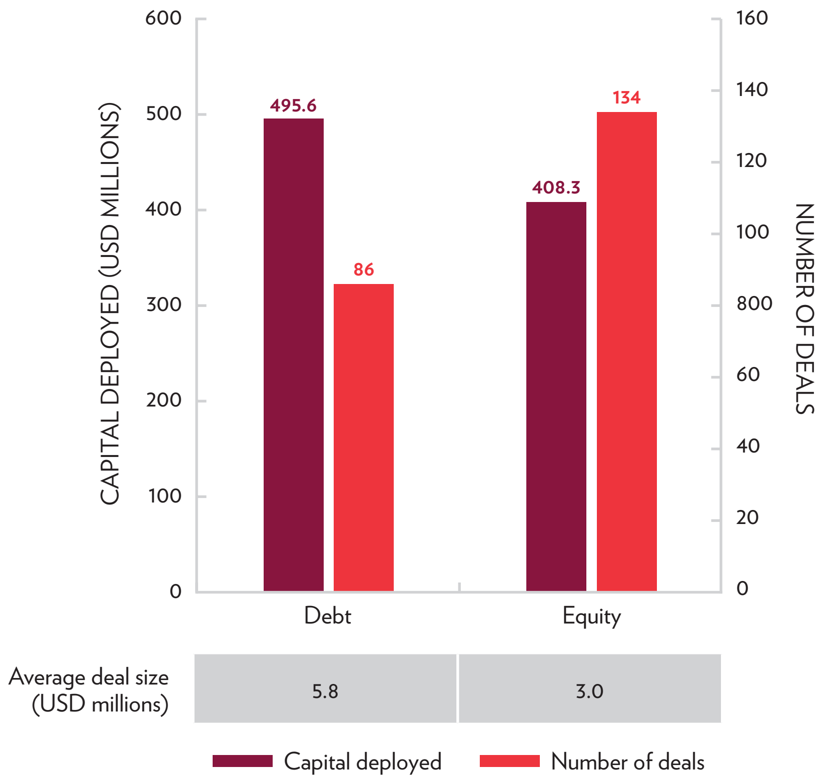
Note: Others include fisheries, media, and big data.
Source: Intellecap Advisory Services analysis

The top sectors of investment in the region have been financial services, clean energy, and ICT. The financial services sector has received the most impact capital, accounting for roughly 60% of all PII capital deployed. Microfinance institutions account for over 80% of the capital deployed in financial services, while insurance and commercial banking for SMEs have also attracted impact capital. Eighteen percent of capital has been deployed into clean energy, especially solar energy in the Philippines and Thailand. ICT accounts for the next-largest volume of capital deployed, with a concentration of activity in Singapore and Vietnam. Agriculture accounts for 15% of deals at small average ticket sizes ranging from USD 500,000 to USD 1 million. Variations in sectors of investment by country are further detailed in Table 3.

TABLE 3: OVERVIEW OF KEY IMPACT INVESTING SECTORS FOR PIIs, BY COUNTRY

COUNTRY	KEY SECTORS
CAMBODIA	The financial services sector—specifically microfinance—accounts for almost all PII impact deals and capital deployed in Cambodia, most made since 2013. Other sectors (such as energy, agriculture, and services) have received limited investment.
EAST TIMOR	All impact investments in East Timor have been in microfinance.
INDONESIA	Agriculture and financial services have seen the highest number of deals. Workforce development, fisheries, education, and healthcare are promising sectors, with a growing number of deals in recent years.
LAOS	Over 80% of capital deployed and almost 60% of all deals in Laos have been in clean energy. The remainder has supported the tourism and financial services sectors.
MALAYSIA	Only consumer goods and financial services have received impact investment.
MYANMAR	Like Cambodia, microfinance has received the most private impact investment in Myanmar (over 80% of capital deployed). Education, tourism, and ICT have also received some investment.
PHILIPPINES	Clean energy and financial services have had the highest number of deals and greatest share of impact capital disbursed. Workforce development and agriculture are promising sectors, with many deals in recent years.
SINGAPORE	The ICT sector is the single largest recipient of PII capital in Singapore, accounting for almost 80% of capital invested and 33% of deals. Healthcare and financial services have also attracted investment.
THAILAND	Energy is the most-invested sector in Thailand both in terms of the number of deals and capital deployed. Besides energy, the financial services sector has also attracted investment, primarily into insurance providers.
VIETNAM	Most investment, both in terms of the number of deals and capital deployed, has flowed into the ICT sector, most commonly into healthcare and banking-related products. Although microfinance has attracted some investment, that sector is largely government-controlled in Vietnam. Education and healthcare are up-and-coming sectors.

FIGURE 7: IMPACT CAPITAL DEPLOYED BY PIIs, BY INSTRUMENT
USD 904 MILLION IN 225 DEALS (2007–2017)



Note: Instruments for five deals which deployed USD 0.4 million are unknown.
Source: Intellecap Advisory Services analysis

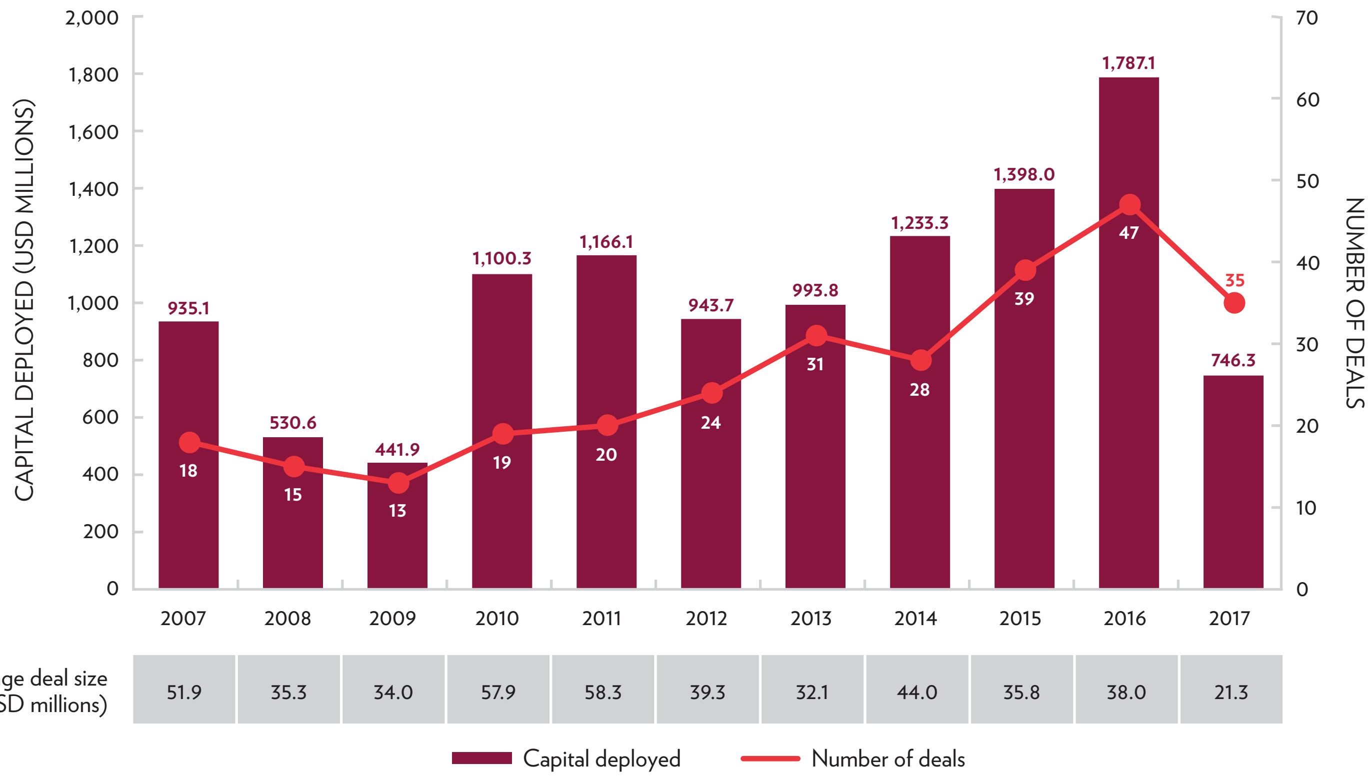
PIIs have made a gradually increasing number of equity deals over the years. Between 2007 and 2010, almost 65% of deals used debt, concentrated in the financial inclusion and agricultural sectors. However, since 2010, the balance has shifted considerably, with debt only accounting for roughly one third of deals. Driving this shift, in part, has been increased awareness among enterprises of equity as an instrument, increased appreciation among enterprises of the benefits that accompany equity investors (such as high-touch support, sector expertise, and access to global markets and networks), and an increased number of investors with a local presence, which allows them to better assess seed- and growth-stage enterprises suitable for equity investment.

Development finance institutions

Almost a dozen DFIs have invested about USD 11.3 billion into 289 deals in Southeast Asia since 2007. These DFIs also invest in private funds active in the region. The numbers captured in this report, however, reflect only DFIs' direct investments into enterprises or projects to avoid double-counting investments already reported within PII activity.

FIGURE 8: IMPACT CAPITAL DEPLOYED BY DFIs, BY YEAR

USD 11.3 BILLION IN 289 DEALS (2007–2007)



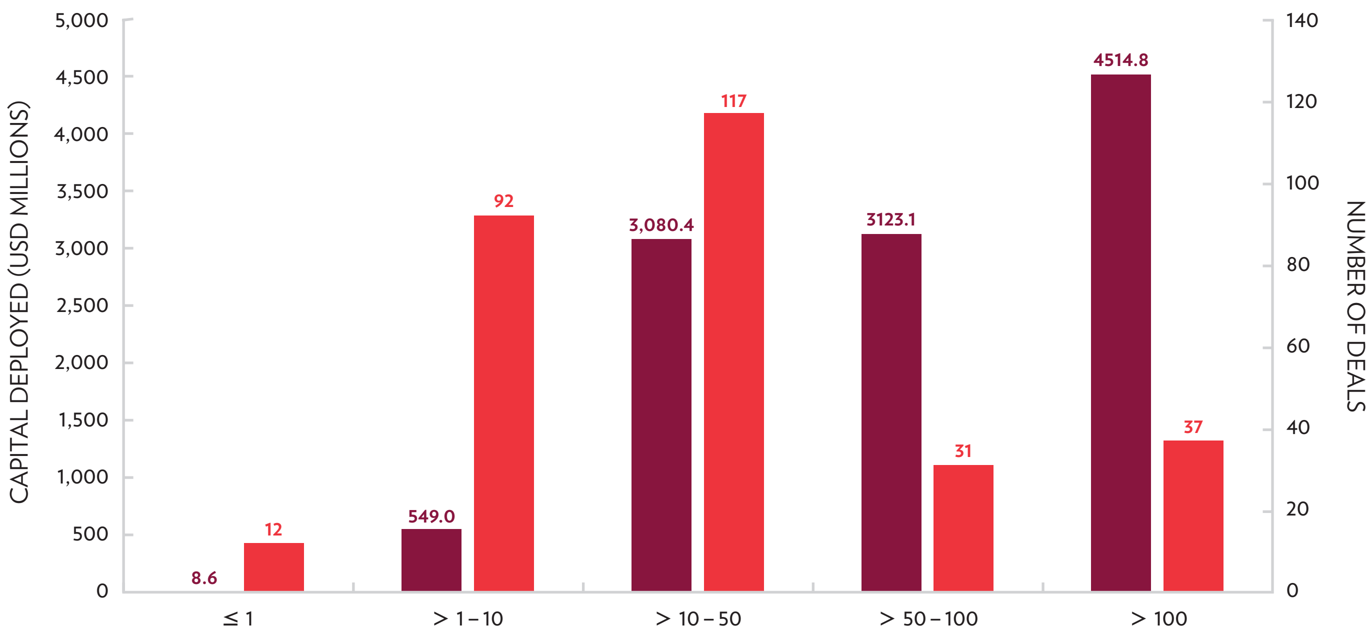
Average deal size (USD millions)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	51.9	35.3	34.0	57.9	58.3	39.3	32.1	44.0	35.8	38.0	21.3

Source: Intellecap Advisory Services analysis

DFIs have long been active in Southeast Asia. Investment activity declined slightly in 2008 and 2009 during the financial crisis but has since trended upward.[18] Traditionally, Indonesia, the Philippines, and Thailand have been large markets for DFIs, but Myanmar and Cambodia have also attracted significant amounts of capital since 2013. 2016 was a landmark year for DFI activity in the region, with over USD 1 billion deployed through 12 deals in the energy sector alone—mostly in Indonesia and the Philippines.

FIGURE 9: IMPACT CAPITAL DEPLOYED BY DFIs, BY DEAL SIZE

USD 11.3 BILLION IN 289 DEALS (2007–2017)



	≤ 1	> 1 – 10	> 10 – 50	> 50 – 100	> 100
Average deal size (USD millions)	0.7	6.0	26.3	100.7	122.0

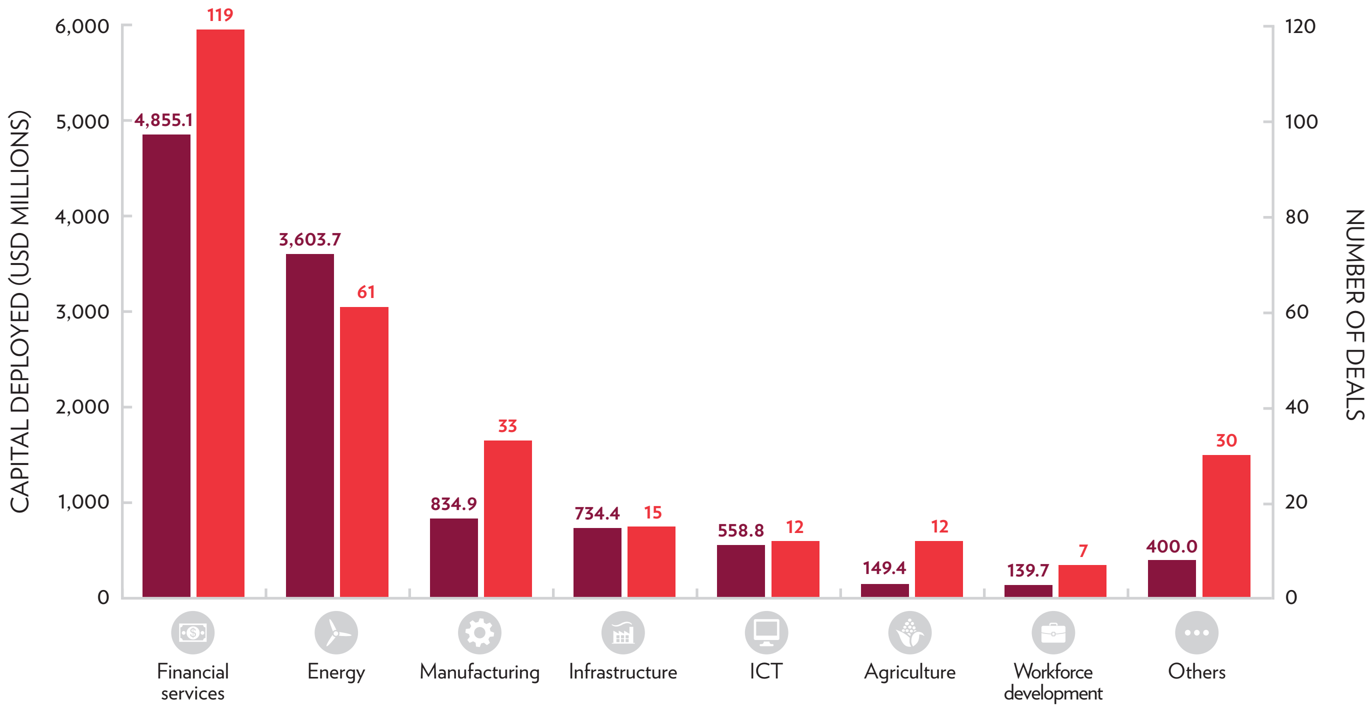
Source: Intllecap Advisory Services analysis.

As of 2017, DFIs' average deal size in Southeast Asia was around USD 40 million, while the median was around USD 8 million. As those figures suggest, DFIs have made investments across a wide range of deal sizes. Around 90% of the deals above USD 100 million have been in the financial services or energy sector, and deals below USD 100 million see representation across diverse sectors including ICT, manufacturing, agriculture, and water and sanitation.

18 The Research Team relied on public disclosures for information on DFI deals, which may not have been exhaustive for 2017.

FIGURE 10: IMPACT CAPITAL DEPLOYED BY DFIs, BY SECTOR

USD 11.3 BILLION IN 289 DEALS (2007–2017)



	Financial services	Energy	Manufacturing	Infrastructure	ICT	Agriculture	Workforce development	Others
Average deal size (USD millions)	40.8	59.1	25.3	49.0	46.6	12.4	20.0	13.3

Capital deployed Number of deals

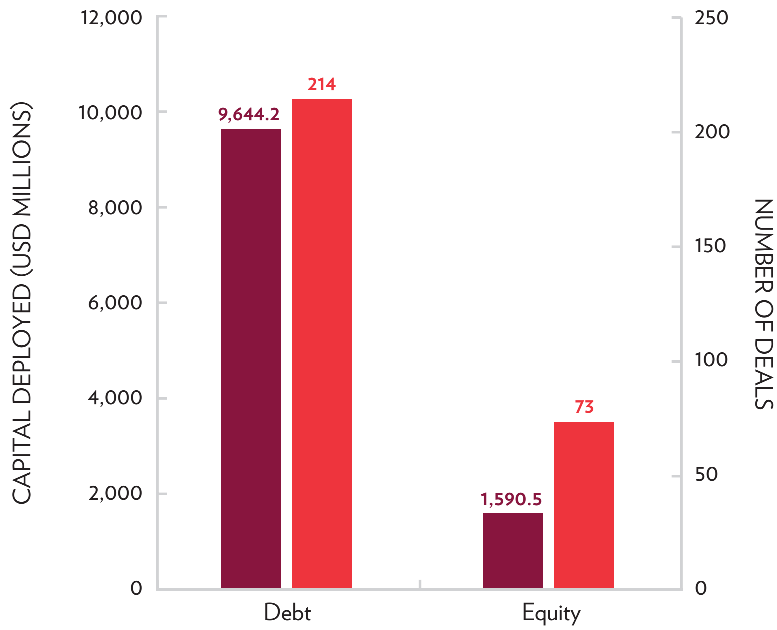
Source: Intellecap Advisory Services analysis

DFIs have traditionally been attracted to investments in the financial services sector, particularly microfinance, because of its potential to significantly expand the financial inclusion of marginalized communities and women. Other sectors, such as ICT and education, have also recently attracted DFI capital. Within manufacturing and infrastructure, DFIs have invested primarily in large-scale projects that seek to create jobs and improve livelihoods. Many economies are positioning themselves as attractive manufacturing alternatives to China, and manufacturers seek to increase their competitiveness by investing in high-capacity projects and reducing production costs. DFIs, working in tandem with national governments, have invested over USD 800 million in the region's manufacturing sector. Investments have also flowed to infrastructure projects in Vietnam, Laos, and Myanmar. ICT has received substantial investment, largely in Myanmar's telecommunications sub-sector. Agriculture and healthcare are emerging sectors of interest for DFIs in the region. In the agriculture sector, most DFI investments are in enterprises that operate at scale across the value chain (from production to processing to distribution) to create sustainable livelihoods for smallholder farmers. In the healthcare sector, DFIs have financed hospital expansion. Table 4 overviews DFI activity by country.

TABLE 4: OVERVIEW OF KEY IMPACT INVESTING SECTORS FOR DFIs, BY COUNTRY

COUNTRY	KEY SECTORS
CAMBODIA	Most DFI deals in Cambodia have been in financial services, including microfinance and SME finance. Other sectors of investment include agriculture, education, energy, and ICT.
EAST TIMOR	The financial services sector (microfinance) is the only sector in East Timor to receive DFI capital.
INDONESIA	Financial services (both microfinance and commercial banks) and energy have had the highest DFI activity in terms of both the number of deals and amount of capital deployed. Various energy sub-sectors, such as geothermal power, wind energy, and hydropower, have drawn investor interest. Manufacturing, WASH, and ICT have also received impact investment.
LAOS	Almost 80% of DFI deals in Laos were made in the energy sector, with financial services and manufacturing also attracting some investment.
MALAYSIA	Financial services and manufacturing are the only two sectors that have received impact investment from DFIs in Malaysia.
MYANMAR	Infrastructure and ICT, including telecommunications infrastructure, account for over 70% of DFI deals in Myanmar. The energy sector has also received substantial investment.
PHILIPPINES	The energy sector, mostly geothermal energy and solar power, has received the most DFI capital deployed in the Philippines. Within financial services, commercial banks that work to expand financial inclusion and provide loans to SMEs have received investment. Healthcare, education, and tourism are up-and-coming sectors.
SINGAPORE	Most DFI investments in Singapore have supported energy and healthcare.
THAILAND	Since 2007, DFIs have invested almost USD 1 billion into the energy sector in Thailand. They have also invested in financial services and manufacturing.
VIETNAM	Of all capital deployed by DFIs in Vietnam, the largest share was channelled toward financial services; no investments, however, were made in microfinance, because microfinance institutions are largely controlled by the Vietnamese government. The manufacturing and infrastructure sectors have also received substantial investment, as the country seeks to position itself as an attractive manufacturing destination after China.

FIGURE 11: IMPACT CAPITAL DEPLOYED BY DFIs, BY INSTRUMENT
USD 11.3 BILLION IN 289 DEALS (2007–2017)



Average deal size (USD millions)	Debt	Equity
	45.1	21.8

Note: Instruments for 2 deals which deployed USD 43.2 million are unknown.
Source: Intellecap Advisory Services analysis

About 85% of DFI investments have been made through debt. DFIs increasingly make equity investments, which are typically much smaller deals, at an average ticket size less than half that of debt investments. DFIs have invested equity in many different sectors in the Philippines, Vietnam, and Indonesia, indicating that DFIs' approach to the development of the region is expanding beyond the traditionally common sectors of financial services and energy.

Gender lens investing in Indonesia, the Philippines, and Vietnam

Interest in GLI is increasing in Southeast Asia, largely due to targeted, market-building activities by ecosystem builders, donors, and bilateral and multilateral development agencies. Since 2007, five PIIs, in Indonesia, the Philippines, and Vietnam, have deployed USD 40 million in more than 30 deals using an explicit gender lens.[19] These investments have overwhelmingly (more than 95%) used debt. Additionally, the Impact Investment Exchange has designed a listed social impact bond which is used to channel microfinance toward women borrowers.

While only a few PIIs operated with a gender lens prior to 2013, in the past year more investors have begun to scout the region using a gender lens. Donors and bi-lateral or multi-lateral aid agencies have funded initiatives, such as Investing in Women, the Sasakawa Peace Foundation's Asian Women Impact

19 This report analyses GLI only for the three countries considered in detail: Indonesia, the Philippines, and Vietnam.

Fund, and OPIC's recent 2X Women's Initiative, that are encouraging GLI in the region. Some of these initiatives have been launched recently and are likely to see more traction in the future. Although DFIs' impact theses have long included women's empowerment by implication, it rarely informs their criteria for due diligence or investment selection.

Almost 90% of capital invested using a gender lens has targeted microfinance institutions, and investments which promote women's financial inclusion, because microfinance institutions largely serve female customers.[20] GLI capital has also flowed to the agricultural, healthcare, and services sectors.

Persistent challenges have kept GLI from scaling in the region. Many investors reported finding it difficult to source investable enterprises that are owned or led by women amid an already sparse pipeline, adding to sourcing costs. Moreover, metrics to measure gender impact have not yet been fully defined, making it more difficult for investors to measure and report such impact.

Many investors interpret GLI to mean investing in women-owned or women-led enterprises, demonstrating limited awareness of other GLI strategies. Table 5 details the prevalence of various GLI strategies in Indonesia, the Philippines, and Vietnam specifically.

TABLE 5: STRATEGIES USED FOR GENDER LENS INVESTING IN SOUTHEAST ASIA

GLI STRATEGY	INVESTMENT ACTIVITY	USE IN INDONESIA, THE PHILIPPINES, AND VIETNAM
Investing in women-owned or women-led enterprises	USD 3.6 million into 8 deals	Though most investors understand this strategy, it accounts for less than 10% of GLI investments, as investors reported finding it difficult to source qualified investees. However, a few investors have launched funds to invest exclusively in women-owned or -led businesses.
Investing in enterprises that offer products and services that significantly improve the lives of women and girls	USD 39.7 million into 25 deals	Most gender lens investments, specifically those in microfinance, use this strategy. Microfinance typically improves the financial inclusion of women and girls, and gender lens investors perceive the sector to be a direct fit for this strategy.
Investing in enterprises that promote workplace equity (in staffing, management, boardroom representation, and along the supply chain)	USD 25.5 million into 4 deals	This strategy requires significant due diligence, which consequently increases sourcing costs. Many investors adopt this as a secondary strategy, with a primary focus on women's ownership or leadership and on investing in enterprises that offer products and services that improve the lives of women and girls.

Note: Some investments may target multiple GLI strategies, and thus be double counted in this table.
Source: Intellecap Advisory Services analysis

Gender lens investors and those who are aware of GLI offered a few key success factors for future practice:

- **Growing awareness of GLI is critical**, as most investors offered only a high-level understanding of the subject. Though many investors generate unintentional positive gender impact, by investing in sectors such as microfinance, encouraging such investors to adopt explicit GLI strategies could help further their impact on gender equity.

20 Many other impact investments have been made into microfinance institutions without an explicit gender lens. Usually, DFIs and PIIs invest in microfinance to promote financial inclusion broadly, rather than among women specifically. While such investments have a positive impact on gender equity, this analysis includes only investments with explicit gender-based intent.

- **Celebrating GLI success stories** can demonstrate the viability of GLI as an investment strategy. Anecdotal evidence from GLI investors suggests that women more diligently make loan repayments. However, while a positive business case has been made for gender-diverse enterprises globally,[21] gender diversity has not been studied or assessed for Southeast Asia specifically. Documenting and disseminating success stories of women-led businesses and women-focused enterprises can help establish the business case for GLI in the region.
- **Encouraging women-focused intermediaries** can help more women to start and build investable enterprises. The World Economic Forum's Global Gender Gap report suggests that all countries in Southeast Asia have some degree of gender inequality, with only the Philippines and Singapore reaching the top 50 globally with respect to bridging the gender gap.[22] Inherent inequality causes female entrepreneurs to face specific challenges intermediaries could address, such as limited social support, lack of confidence, and limited access to financial networks.

CHALLENGES AND OPPORTUNITIES

Impact investors, entrepreneurs, and ecosystem enablers alike expressed optimism about the Southeast Asian market because of its size, economic growth, and demographic trends. In addition, these stakeholders identified several notable challenges and opportunities.

Supply-side challenges

- **Lack of investable pipeline:** Given the nascent stage of social entrepreneurship in the region, most investors highlighted the lack of an investable pipeline as a key hurdle to deploying capital. In addition, interviewed equity investors perceived the region as having weak standards for corporate governance.
- **High costs of sourcing and due diligence leading to an early-stage funding gap:** In most of the region, for-profit social entrepreneurship is a relatively novel concept. Consequently, many social enterprises are at the seed and early stages, requiring small investments. However, only a few investors provide such investments. Instead, most prefer ticket sizes larger than USD 1 million because the relative costs of screening, due diligence, and other pre-investment needs are very high for smaller investments. As a result, many countries face substantial early-stage funding gaps.
- **Limited local presence of investors:** Several investors cited local presence as a key success factor, but only a handful have local offices in their countries of operations. This limits their operations in several ways: (1) it increases the time required for decision making and due diligence, (2) it increases the perceived risks associated with investing in the region, (3) it increases the time required to source deals, and (4) it limits investors' ability to provide high-touch support to their investees.

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21 Published work has already suggested that a gender-diverse workforce or senior management team positively impacts business performance. Rama Ramaswami and Andrea Mackiewicz, eds., *Scaling Up: Why Women-Owned Businesses Can Recharge the Global Economy* (London: Ernst & Young, 2009); and Anna Snider and Jackie Vanderbrug, *Through a Gender Lens: Investing for Impact and Opportunity* (Global Wealth & Investment Management, Chief Investment Office Impact Investing Council, U.S. Trust, April 2017).

22 The Global Gender Gap Report (Geneva: WEF, 2017), 0-24, http://www3.weforum.org/docs/WEF_GGGR_2017.pdf.

- **Reliance on foreign pools of capital:** Much of the impact capital deployed in the region has come from foreign investors. Impact investing has yet to take hold as a concept among local investors, who typically use philanthropy as their preferred tool to achieve social and environmental goals.
- **Lack of demonstrated success:** Although several exits have been disclosed since 2017, the industry needs more examples of success. While many stakeholders have discussed expected returns, the region lacks evidence of realized returns. The lack of success stories inflates the perception of risk in the region, which often deters new investors from entering the market.

Supply-side opportunities

- **High demand from seed- and early-stage enterprises:** One impact-focused angel network—the only one in the region—is active in Indonesia. This network has helped to fill the early-stage funding gap in Indonesia, and similar networks could be established in other countries or at a regional level.
- **Large local pools of dormant capital:** In many countries in the region, especially Indonesia, the Philippines, and Thailand, high-net-worth individuals and family offices are increasingly expressing interest in impact investing. Many are currently involved in grant-making and want to improve the accountability and sustainability of their philanthropy. Such capital could be leveraged either directly for impact investing or by designing hybrid capital models to increase the risk appetite of PIIs already active in the region.
- **Diversification of investments into new impact sectors:** Within Southeast Asia, economies span the spectrum of development. Consequently, the region offers impact investing opportunities across many sectors. For instance, more-developed countries like Singapore, Brunei, and Malaysia have distinct challenges, such as high greenhouse gas emissions, high reliance on foreign workers, and rapidly aging populations. Investments to solve such challenges—although different from 'typical' sectors for impact investing in emerging markets—offer great potential to create positive social and environmental impact while generating financial returns.
- **Creating an evidence base regarding performance:** To overcome the limited evidence of successful investments, investors in the region could share data on realized returns and impact performance with some chosen degree of confidentiality. This market transparency could provide critical intelligence to new investors considering making impact investments in the region.
- **Targeting excluded impact enterprises:** Currently a large proportion of supply side players and support providers are concentrated in urban areas, whereas in countries like Indonesia, Philippines, Thailand, and Myanmar, potential investees may operate outside of major cities. There is opportunity to invest in enterprises ignored due to logistical limitations. Additionally, many potential investees are excluded given the vintage of their operations and inability to generate market rate returns. Fund managers have an opportunity to raise funds from LPs that seek to bridge the seed and early-stage funding gap by providing concessionary capital.

Demand-side challenges

- **Reliance on grant capital:** Recently, the number of competitions and awards for social entrepreneurship has surged in the region. While this has enabled many enterprises to raise much-needed seed capital, some entrepreneurs consider philanthropic capital and grants to be a source of revenue or a long-run mechanism of financing. This keeps them from focusing on independent financial sustainability.

- **Lack of familiarity with impact investors:** While the impact investing industry in the region has recently grown, many entrepreneurs still have only limited awareness of impact investing. In addition, besides several incubators and accelerators that facilitate pitch sessions, most entrepreneurs lack the networks needed to interact with impact investors. Consequently, several well-connected enterprises have raised multiple rounds of funding, even while others struggle to access capital.
- **Inability to pay for support services:** Since a large proportion of potential investees are early-stage, many cannot pay incubators or accelerators for support services, which often prevents them from developing the expertise required to scale.

Demand-side opportunities

- **Investing in inclusive SMEs:** In a bid to overcome limited investment pipelines, many impact investors in the region have begun to screen for SMEs that could generate positive impact with minor modifications to their business models. Such modifications might include, for example, sourcing raw materials from marginalized communities or employing youth from underserved communities. Following investment into such SMEs, investors provide high-touch support focused on increasing the enterprises' value chains and measuring and monitoring the created impact.
- **Leveraging changing trends in development aid:** Grant flows across the region are evolving with increasing socio-economic development and more capital is being channeled as investment. In response, a number of non-profit organizations have started to transition to for-profit structures in order to access new sources of capital. This gradual transformation will likely expand the pool of potential high-impact investments.

Ecosystem challenges

- **Risk that ecosystem facilitators are financially unsustainable:** Impact-focused intermediaries, including incubators and accelerators, transaction advisors, and consultants, have limited bases of customers and corresponding revenue. Consequently, many such intermediaries have started to target mainstream businesses, drifting away from their social missions. In addition, expertise and mentorship relevant to high-impact sectors are expensive in the region, further reducing intermediaries' sustainability.
- **Concentration of ecosystem intermediaries in urban areas:** Ecosystem intermediaries in most countries are concentrated in urban areas. For instance, in the Philippines, most intermediaries are located in metropolitan Manila; in Indonesia, most intermediaries are located in either Jakarta or Bandung. This limits the ability of social enterprises from rural areas to receive required support.
- **Limited availability of capacity-building support for fund managers:** While support services are offered on the demand side, capacity-building services for fund managers are limited. Since the region is highly diverse, fund managers require a certain degree of education in local contexts before they can develop and design their instruments for effective capital deployment.
- **Roadblocks caused by infrastructure and policy:** Only five of 11 countries in the region rank in the global top 100 on the Ease of Doing Business rankings. This highlights the many deterrents to investing across the region in terms of gaps in infrastructure and policy.

Ecosystem opportunities

- **Positive recognition of the role of social enterprises in development:** Several economies in the region, including Thailand, Malaysia, Singapore, and the Philippines, have either established regulations and policies to support the growth of social enterprises, such as incentives and buy-back arrangement, or are planning to do so. If these policies are well-implemented, they can help address investor perceptions of limited investment pipeline.
- **Introducing intermediaries that connect philanthropic and impact capital:** Much of the capital used to finance development in the region comes from philanthropic sources. Several grant-makers highlighted difficulties in tracking the efficiency of such deployments and ensuring their long-run sustainability. Intermediaries that can connect philanthropic stakeholders with entities providing impact capital could greatly accelerate impact investing in the region by (1) providing support to transition philanthropic actors to impact investing and (2) designing hybrid investment instruments.

RECOMMENDATIONS FOR FURTHER RESEARCH

From this assessment of the landscape of the impact investing industry in Southeast Asia, the Research Team identified certain topics that require further investigation to continue to stimulate the impact investing industry in the region:

- **The impact investing industry in Cambodia:** This report analyzes three countries in depth: Indonesia, the Philippines, and Vietnam. However, because of the sheer scale of its microfinance sector, Cambodia should also be studied in more detail. Cambodia's consolidation of impact investments in one sector is unusual; though it has allowed investors to scale rapidly, it also presents concentration risk.
- **Assessment of demand for and success of gender lens investments:** GLI is a relatively new concept, with most studies evaluating the supply of GLI capital. However, little existing research describes the preferences, needs, or objectives of prospective recipients of gender lens capital, whether they be women-led or -owned enterprises, enterprises with large proportions of female staff, or enterprises that serve female customers. In addition, building a case for GLI will require conducting detailed analysis of the financial and social performance of gender lens investments.
- **Evaluation of investment performance:** Little evidence exists to date on the financial or impact performance of investments in the region. Such analysis could help investors better benchmark their own results, refine their investment strategies, and advocate for policies that promote impact investments.
- **Evaluation of policies to support social entrepreneurship:** Several countries in the region have designed policies to support social entrepreneurship, but whether each of these policies are optimally designed and whether any have unintended negative consequences remain unclear.[23] Assessment of the on-the-ground impact of such policies would provide valuable intelligence to market participants.

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23 Some of the countries where regulations have been passed include Thailand, Malaysia, and Vietnam, whereas Philippines is considering the introduction of a bill for the same.

APPENDIX 1: LIST OF INTERVIEWEES

We extend our sincerest thanks to the following organizations, who contributed their time and expertise for this report:

Aavishkaar Frontier Fund
Accion Venture Lab
Angel Investment Network Indonesia
Anthem Asia
Aqua-Spark
ASEAN Women Entrepreneur Networks
Asian Development Bank
Asian Venture Philanthropy Network
Aspen Network of Development Entrepreneurs, Southeast Asia Chapter
Aspen Network of Development Entrepreneurs, Southeast Asia, Global Chapter
BASIX
BPI Foundation
Bridge
Capital 4 Development Partners
Capria Ventures LLC
Catalyst at Large
Center for Social Initiatives Promotion (CSIP)
Change Ventures
Department of Foreign Affairs and Trade (DFAT) Vietnam Team
Developing World Markets
Emerging Markets Impact Investment Fund (DFAT)
Emerging Markets
Endeavour
ENGIE Rassembleurs d'Energies
Epic Foundation
EY
Evergreen Labs
GandengTangan
Garden Impact
German Investment Corporation (DEG)
German Investment Corporation (DEG) Vietnam Team
Global Innovation Fund
Hatch! Ventures
Impact Hub, Jakarta
Impact Investment Exchange Asia (IIX) / Shujog
Incofin Investment Management
Innotek
Insitor Impact Asia Fund
Institute of Social Entrepreneurship in Asia
International Finance Corporation (IFC)
Investing in Women
Jungle Ventures
KfW
Kickstart Ventures
LGT Venture Philanthropy
MainStreet Partners
Mercy Corps
National University of Singapore
Netherlands Development Finance Company (FMO) Debt Team
Netherlands Development Finance Company (FMO) Equity Team
NewForests
Oikocredit
Osiris Group
Overseas Private Investment Corporation
Oxfam
Palladium
Patamar Capital Indonesia
Patamar Capital Vietnam
Peace & Equity Foundation
Philippine Women's Economic Network
Planet 9
PT Mekar Investama Sampoerna
Resonance
responsAbility
Rockstart Impact
Root Capital
SEAF Women's Opportunity Fund
Small Enterprise Assistance Funds (SEAF)
Sovereign Capital
Tau Investment
The Singapore Centre for Social Enterprise
Thriive
Tondo Foundation
Triodos Bank
Triple Jump
UNDP SDG Impact Fund
United Nations Capital Development Fund
United Nations Development Programme
United States Agency for International Development
Usaha Social
Village Capital
Villgro
Winrock International
Women Organizing for Change in Agriculture and Natural Resource Management (WOCAN)
Xchange

NOTES

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ABOUT THE GLOBAL IMPACT INVESTING NETWORK

This report is a publication of the Global Impact Investing Network (GIIN), the leading nonprofit organization dedicated to increasing the scale and effectiveness of impact investing around the world. The GIIN builds critical market infrastructure and supports activities, education, and research that help accelerate the development of a coherent impact investing industry.

Research

The GIIN conducts research to provide data and insights on the impact investing market and to highlight examples of effective practice.

thegiin.org/research

Impact Measurement and Management (IMM)

The GIIN provides tools, guidance, trainings, and resources to help investors identify metrics and integrate impact considerations into investment management.

thegiin.org/imm

Membership

GIIN Membership provides access to a diverse global community of organizations interested in deepening their engagement with the impact investment industry.

thegiin.org/membership

Initiative for Institutional Impact Investment

The GIIN Initiative for Institutional Impact Investment supports institutional asset owners seeking to enter, or deepen their engagement with, the impact investing market, by providing educational resources, performance research, and a vibrant community of practice.

thegiin.org/giin-initiative-for-institutional-impact-investment

Roadmap for the Future of Impact Investing

Interested in helping to build the field of impact investing? The GIIN's *Roadmap for the Future of Impact Investing: Reshaping Financial Markets* presents a vision for more inclusive and sustainable financial markets and articulates a plan for impact investing to lead progress toward this future. To download the Roadmap and find more information about opportunities to get involved, visit **roadmap.thegiin.org**.

ADDITIONAL GIIN RESEARCH

The GIIN conducts research to provide data and insights on the impact investing market and to highlight examples of effective practice. The following selection of GIIN reports may also be of interest:

Since 2011, the GIIN has conducted an **Annual Impact Investor Survey** that presents analysis on the investment activity and market perceptions of the world's leading impact investors.

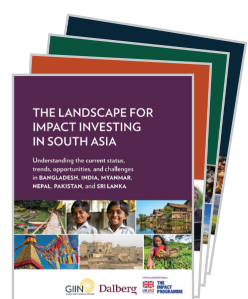
The **Impact Investing Benchmarks** analyze the financial performance of private debt, private equity/venture capital and real assets impact investing funds.

Beyond Investment: The Power of Capacity-Building Support identifies common, effective practices for capacity-building support in the impact investing industry.

Lasting Impact: The Need for Responsible Exits outlines impact investors' approaches to preserving the positive impact of their investments after exit.

The Business Value of Impact Measurement demonstrates how investors and their investees use social and environmental performance data to improve their businesses.

The **regional landscape reports** analyze the state of the impact investing market at a country level. In addition to Southeast Asia, the GIIN has conducted other landscape studies on South Asia and East, West, and Southern Africa.



Visit the GIIN's website to find more resources from the GIIN and other industry leaders at https://thegiin.org.

GIIN
GLOBAL IMPACT INVESTING NETWORK

ABOUT THE GLOBAL IMPACT INVESTING NETWORK

The Global Impact Investing Network (GIIN®) is a nonprofit organization dedicated to increasing the scale and effectiveness of impact investing. The GIIN builds critical infrastructure and supports activities, education, and research that help accelerate the development of a coherent impact investing industry. For more information, see **www.thegiin.org**.

info@thegiin.org | www.thegiin.org | @theGIIN